Highlight

Highlight Communications AG

2Q2020 INTERIM REPORT AS OF JUNE 30, 2020

Positive earnings development at Highlight Group despite COVID-19 pandemic

- EBIT improved significantly from CHF 1.6 million to CHF 11.9 million.
- At CHF 4.0 million, the consolidated net profit for the period was in positive territory after the prior-year figure of CHF –1.8 million.
- The share of earnings attributable to Highlight's shareholders was CHF 4.2 million, corresponding to earnings per share of CHF 0.07.
- Consolidated revenue fell by 25.2 % year-on-year to CHF 172.0 million due to COVID-19.
- The equity ratio was 31.5 % as of the end of the first half of 2020 (December 31, 2019: 29.3 %).

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In the first half of 2020, revenues on the German movie theater market amounted to around EUR 204 million – a decrease of 52.6 % compared with the first six months of the previous year (around EUR 430 million) as a result of the coronavirus crisis.

Audience figures likewise fell by 51.6 % to around 24 million (same period of 2019: around 49 million).

The most-attended movies released in theaters in the first half of 2020 were “Bad Boys for Life” (released on January 16, 2020) with around 1.8 million viewers, “Nightlife” (released on February 13, 2020) with an audience of around 1.3 million, “Sonic the Hedgehog” (released on February 13, 2020) with around 1.2 million viewers, “Knives Out” (released on January 2, 2020) with an audience of around 1.1 million, and “Dolittle” (released on January 30, 2020) with around 900,000 viewers.

Home entertainment

The declining trend on the conventional home entertainment market continues, while the digital sales channels are gaining in importance. Revenues of EUR 491 million were generated in the period from January to June 2020, down 1.2 % on the same period of 2019 (EUR 497 million). However, these figures do not include SVoD (subscription video-on-demand), an area that is experiencing substantial growth and generated revenues of EUR 716 million in the reporting period (same period of 2019: EUR 565 million).

The downturn on the conventional market overall was attributable to a declining revenue volume from the sale and rental of physical media (DVD and Blu-ray), which fell by around -20 % to EUR 255 million (same period of 2019: EUR 319 million). By contrast, digital exploitation (electronic sell-through and transactional video-on-demand) enjoyed strong growth again, with revenues up approximately 33 % on the previous year (EUR 177 million) to EUR 235 million.

Operational development

In the first half of 2020, the output deal with Sky Deutschland was renewed for another three years. This new agreement relates to films that start shooting in the period from January 1, 2020, to December 31, 2023.

In addition, various library deals were concluded with several TV exploiters and streaming platforms, including ProSiebenSat.1, Netflix, and Disney+.

Theatrical production

In the first half of 2020, shooting started for one in-house production, “Caveman” – starring Moritz Bleibtreu and Wotan Wilke Möhring – and one co-production, “Hui Buh 2.”

In the same period, the Constantin Film Group acquired the exploitation rights for “After Love” and “After Forever” (the sequels in the successful “After” series), “Inheritance,” “Waiting for the Barbarians,” and “The Blacksmith.”

Theatrical distribution

Because German movie theaters were closed from mid-March onward due to COVID-19, only one Constantin Film Group film, “Das geheime Leben der Bäume,” was released in the first six months of this year.

Home entertainment

Notable new releases in the home entertainment market in the first half of 2020 included “Die drei !!!,” “Eine ganz heiße Nummer 2.0,” and the hit theatrical production “Das perfekte Geheimnis.”

In addition, licensed titles such as “Shadow” and the French production “La Belle Époque” were also launched on the market.

License trading/TV exploitation

In German free-TV exploitation, sales in the second quarter of this year were generated in particular by the license starts for the theatrical movies “Fack Ju Göhte 3” and “Jugend ohne Gott” (both ProSieben). In pay-TV exploitation, license starts included “Ostwind – Aris Ankunft” (Sky).

TV service production

Following the interruption due to COVID-19, Constantin Entertainment GmbH resumed shooting for “K11 – Kommissare im Einsatz” (SAT.1) and “Shopping Queen” with Guido Maria Kretschmer (VOX) in the reporting period.

At Constantin Television GmbH, further episodes of the daily show “Dahoam is Dahoam” for BR were filmed at the end of April and the SAT.1 service production “Todesurteil” (Gruber crime movie) was filmed at the start of June following the interruption due to COVID-19.

At Hager Moss Film GmbH, Moovie GmbH, Olga Film GmbH, PSSST! Film GmbH, and Rat Pack Filmproduktion GmbH, shooting is expected to be resumed in the third or fourth quarter of 2020.

Analysis of non-financial performance indicators

Theatrical distribution

Due to COVID-19 and the fact that – as mentioned above – only one movie was released (“Das geheime Leben der Bäume”), this point is not discussed.

Home entertainment

In the period from January to June 2020, the Highlight Group achieved a share of 2.55 % on the German video sell-through market without its sales partners Paramount Home Entertainment and Universal Home Entertainment. Its market position was expanded in 2020 as compared to the same period of 2019 (1.93 %) thanks to its broad range of programming and good sales figures. The development in the first half of 2020 was positively impacted by the sales figures for the theatrical hit “Das perfekte Geheimnis,” which generated more than 800,000 transactions in digital distribution.

License trading/TV exploitation

In the second quarter of 2020, “Fack Ju Göhte 3” was broadcast for the first time on SAT.1 on April 20 with a very successful market share (overall market) of 13.2 %. The theatrical movies “Das Pubertier” (SAT.1; 6.9 % share of the overall market) and “Jugend ohne Gott” (ProSieben; 4.9 % share of the overall market) were also broadcast for the first time.

TV service production

In TV exploitation, very good ratings were generated again in the second quarter of 2020. This particularly applied to the Moovie production “Die Toten am Meer,” which achieved an outstanding overall market share of 24.8 % for ARD. The Olga Film production “Die Heiland” – the second season of the TV series, again for ARD – was also very successful, drawing up to 17 % of the overall market.

With a good 14.4 % share of the overall market, the new episodes of the ARD series “Daheim in den Bergen” (Rat Pack Filmproduktion) were also successful. At Constantin Television, the daily show “Dahoam is Dahoam” delivered solid ratings in the reporting period, with an average overall market share of around 13.2 %.

BUSINESS DEVELOPMENT OF THE SPORTS- AND EVENT-MARKETING SEGMENT

Sector-specific situation

The uncertainty stemming from the COVID-19 pandemic, which caused the delay or cancellation of many of the year’s biggest sporting events, also impacted the business side of sport. A number of high profile rights tenders were delayed, such as the Serie A domestic media rights tender, which was pushed back from spring to autumn this year. However, other rights holders pressed on, despite the uncertain economic climate. Deutsche Fussball Liga GmbH (DFL) proceeded with their 2021/22 – 2024/25 domestic media rights tender as planned. Following an 80 % value increase in the previous tender, a similar increase for the next cycle seemed challenging. However, new digital players, such as DAZN and Amazon, engaging in sports rights acquisitions increased competition in the market. Ultimately, the rights value for the cycle fell by 5 %, from EUR 1.16 billion to EUR 1.10 billion, with Sky acquiring the live rights to 200 games and conference programming, and DAZN getting the remaining 106 live games. As a result, DAZN has established itself as a serious player in the German market holding the rights to the Bundesliga and the Champions League, the two most premium football properties in the territory.

The “Event Marketing” business area of Highlight Event AG (HLE) is generally heavily impacted by the COVID-19 pandemic. In particular, the restrictions and safety regulations for concert halls are very detailed, which particularly affects event organizers (and therefore also orchestras). Nonetheless, major events such as the Salzburg Festival and the Vienna Philharmonic Orchestra’s Summer Night Concert will be held again from the third quarter of 2020 onward, adhering to the safety regulations, which represents an import step back toward normality.

Operational development

Following a successful start to the sales process for the commercial rights to the UEFA Champions League, the UEFA Europa League and the newly-established UEFA Europa Conference League for the 2021/22 to 2023/24 seasons, the TEAM Group’s usual activity was disrupted due to the COVID-19 pandemic and postponement of the current season’s knockout stage to a later, then unspecified, date.

As a result of the suspension of football, work focused on preparing a summer resumption plan for the UEFA Club Competitions (UCC) that minimised the impact of the postponement on the UCC’s commercial partners. In cooperation with UEFA, new formats, new schedules and new locations for the remaining part of the KOs were successfully finalised.

In the “Event Marketing” area, HLE succeeded in extending the partnership with the Vienna Philharmonic Orchestra’s longstanding exclusive main sponsor until 2027. The long-term financial goals for the renewal of the agency agreement with the European Broadcasting Union (EBU) in the context of the Eurovision Song Contest (ESC) were also achieved despite COVID-19. On the operational side, the outbreak of COVID-19 had a significant impact:

The Eurovision Song Contest 2020 was canceled. Rotterdam, Netherlands, was again confirmed as the event location for 2021. Preparations for the event began with the development of a wide range of complex coronavirus scenarios, meaning that another cancellation seems unlikely, at least under the current circumstances. The commitment of the main sponsor for the event has already been ensured by HLE, thus ensuring fundamental financial stability as regards the marketing for next year. Intensive work on the implementation is already underway in close collaboration with the sponsor.

With regard to the Vienna Philharmonic Orchestra, the Summer Night Concert has successfully been postponed until September 18, 2020, thus fulfilling the various different media and sponsorship partner agreements, but various media and sponsorship events in China in October may be canceled and the concert in the Sagrada Familia in Barcelona, originally scheduled for September 13, 2020, has already been postponed until next year (September 18, 2021) with the agreement of the partners. Extensive compensation scenarios have been developed for the partners and are now being implemented already, as is the Summer Night Concert 2020.

Analysis of non-financial performance indicators

Due to the COVID-19-related disruption, neither the audiences for the Finals nor the full season are yet available. However, even without live football, fans continued to engage with the UCCs via social media. UCL’s combined following on the three biggest social media platforms (Instagram, Twitter, Facebook) grew by 17 % to reach 156 million followers in the first half of the season. This number makes it the most followed sports league or club in the world. UEL’s following on the same platforms stands at the level of 29 million and has grown by 20 % over the same time period.

The fact that the existing TV and sponsorship agreements were successfully maintained in spite of COVID-19 indicates that the pandemic has not lessened the public’s interest in high-quality music and entertainment events. In the case of the Vienna Philharmonic Orchestra, additional interest was generated by making all of the New Year’s Concerts and Summer Night Concerts since 2009 available free of charge on the TV partner stations as well as individual interview series on the social media channels (Idagio Live). The EBU also placed a very successful ESC substitute program in around 40 countries and launched the ESC movie via licensing, thus ensuring the continued presence of the ESC in 2020 to a limited extent.

BUSINESS DEVELOPMENT OF THE SPORTS SEGMENT

Industry conditions

According to the measurement and data analysis company Nielsen Holdings plc, gross advertising expenditure was down by around 8.8 % year-on-year from January to June 2020 based on the adjusted advertising trend. In the individual media class, spending was down by 8.2 % for TV, 10.1 % for newspapers, 1 % for online*, 11.7 % for direct mail, 10.7 % for general interest magazines, 10.3 % for out-of-home, 13.3 % for radio and 52 % for movie theaters.

Regarding the net impact of the COVID-19 pandemic on the advertising industry in 2020, the Central Association for the German Advertising Industry, ZAW, declared at the start of June that this situation is unprecedented both worldwide and in Germany. It explained that the advertising industry had been hit especially hard by poor economic data and the measures taken on account of COVID-19: Among the advertising outlets that ZAW tracks and reports each year, two – movie theaters and sponsorship – have already announced a complete standstill. The trade fair, congress and events sector also slumped almost entirely. Other advertising outlets have so far been impacted by the COVID-19 crisis to varying degrees, though all worryingly so. According to ZAW, some outlets and segments were already reporting declines in advertising expenditure of between 30 % and 80 %, and in April a drop of at least around 40 % as against the same month of the previous year was reported across all advertising media.

** The figures for the online media class are provisional and subject to subsequent revision.*

Operational development

In the second quarter of 2020, SPORT1 significantly expanded its successful long-term partnership with the DFL in the allocation of the Bundesliga media rights for the seasons from 2021/22 up to and including 2024/25. The three extensive license packages comprise rights to digital highlight clips of the Bundesliga and Bundesliga 2 (Package N), the new top Bundesliga 2 match on Saturday evenings, live and exclusive on free-TV and in a live stream (Package G), and the currently held exclusive highlight rights package for the Bundesliga and Bundesliga 2 on Sundays (Package K), which is analyzed in “Doppelpass” and highlight magazine shows. SPORT1 thus has its core football rights in the portfolio on a long-term basis, together with the DFB Cup rights, and will significantly expand its 360° reporting from 2021 onward thanks to these investments in its TV and digital content. In addition, SPORT1 acquired rights for various sports in the first half of the year, including football (Coupe de France), motorsports (NASCAR Cup Series, FIA World Rallycross Championship), basketball (easyCredit BBL Finals Tournament 2020), darts (HYLO CARE PDC Europe Superleague Germany, produced by PLAZAMEDIA at the event location ziegelei101), and e-sports (FIFA 20 Global Series, FIFA eWorld Cup 2020™, Dota 2 events, ESL Pro League). Due to the cancellation or postponement of sports events from March onward as a result of the COVID-19 pandemic, SPORT1 entered into extensive programming cooperations with FIFA, acquired additional sports documentary and docutainment formats, and organized a FIFA 20 tournament with current and former football stars with the “SPORT1 Super League.”

In pay-TV, SPORT1 extended its distribution cooperation with Vodafone for the two channels SPORT1+ and eSPORTS1 on a long-term basis. In June, SPORT1 was nominated for the German Television Award 2020 in the “Best Sports Show” category with the broadcast of the FIFA eWorld Cup Grand Final 2019 and finished in the top 3. This was the first time that an e-sports broadcast had been nominated in this category. This is also an impressive sign the eSports has arrived in the German media landscape – with SPORT1 leading the way thanks to years of pioneering work, including the launch of eSPORTS1 as the first linear e-sports broadcaster for German-speaking regions.

The main focus at the other subsidiaries of Sport1 Medien AG in the first half of the year was also on maintaining and expanding existing customer relationships and developing new ones. For example, PLAZAMEDIA implemented productions and projects for Constantin Film (“Caveman”), Constantin Entertainment (“Die SAT.1 Comedy Konferenz – Promis in Quarantäne”), MingaMedia (“An die Töpfe, fertig, lecker!”), Caligari Film (“Cathérine – meine Familie und ich”), Audi (world premiere of the Audi Q4 e-tron in an augmented reality studio), Bavaria Media (archiving and MAM services) and cueconcept (virtual trade fair on behalf of Bühler AG), and in the sports sector for Amazon Prime on behalf of Discovery (studio production of Bundesliga broadcasts), Telekom (studio production of easyCredit BBL Finals Tournament 2020) and MMO (archive services for basketball, soccer and ice hockey). The consulting subsidiary LEITMOTIF secured new customers including Cerascreen and Automobilclub von Deutschland (AvD).

Analysis of non-financial performance indicators

In the first half of 2020, SPORT1's free-TV market shares were below the level of the previous year's period at 0.5 % among viewers aged three and over and 0.8 % in the core target group of 14- to 59-year-old men, particularly due to the cancellation of almost all sports events – including the Ice Hockey World Championships, the DEL play-offs, and the Premier League Darts – from March onward as a result of COVID-19. Although in football the Bundesliga continued its season from mid-May onward, the matches broadcast without fans in the stadiums in the accompanying SPORT1 formats did not meet with the usual level of interest from viewers. Ratings highlights in the first half of the year included the final of the World Darts Championship in January as well as the round of 16 and the quarter-finals in the DFB Cup in February and March.

As of June 30, 2020, pay-TV distribution recorded a total of 2.26 million subscribers to SPORT1+ (June 30, 2019: 2.35 million) and 0.89 million subscribers to eSPORTS1 (June 30, 2019: 1.14 million).

Ratings on the digital platforms were also influenced by the effects of the coronavirus pandemic in the reporting period, with visits in the online and mobile sector decreasing by 33 % as compared to the first half of 2019.

Despite the COVID-19 crisis, the number of unique users remained robust, decreasing by only 3 % year-on-year. This underscores that SPORT1 was essentially able to keep users on its platforms, and only the intensity of use decreased as a result of the general absence of live sports from March onward.

In the video area, the previous year's level was maintained on the SPORT1 platforms in the first quarter despite initial effects of the crisis in March, but fewer video views were achieved in the second quarter, resulting in a decrease of 29 % for the first half of the year as a whole. On its YouTube channels, SPORT1 increased video views by 8 % compared to the first half of 2019 due to high-reach formats that work independently from live sports.

RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL SITUATION OF THE HIGHLIGHT GROUP

Results of Group operations

(CHF million)	Jan. 01 to June 30, 2020	Jan. 01 to June 30, 2019	Change
Revenue	**172.0**	**229.9**	**-25.2 %**
EBIT	**11.9**	**1.6**	**643.2 %**
Consolidated net profit for the period	**4.1**	**–1.8**	**n/a**
Net profit attributable to shareholders	**4.2**	**–0.5**	**n/a**
Earnings per share (CHF)	**0.07**	**–0.01**	**n/a**

The decline in revenue is largely due to the consequences of the coronavirus pandemic and its effects on the different segments. The Film segment reported a reduction of CHF 42.9 million. The Sports- and Event-Marketing segment reported a decline in revenue of CHF 1.7 million and the Sports segment one of CHF 13.3 million. Capitalized film production costs and other own work capitalized was down by CHF 9.9 million at CHF 39.0 million on account of productions.

Consolidated operating expenses remained below the prior-year level at CHF 205.4 million (CHF 285.5 million), with staff costs (down CHF 9.0 million), the cost of materials and licenses (down CHF 27.0 million) and depreciation, amortization and impairment (down CHF 32.7 million) all declining.

The rise in EBIT primarily results from the Film segment, which contributed earnings of CHF 8.8 million in the first half of 2020 after CHF -2.6 million in the first half of the previous year. Although net finance costs were down slightly year-on-year at CHF -3.0 million (CHF -2.3 million) and tax expenses rose by CHF 3.8 million to CHF 4.9 million, consolidated net profit improved significantly by CHF 5.8 million to CHF 4.1 million as a result.

Results of segment operations

Film segment

(CHF million)	Jan. 01 to June 30, 2020	Jan. 01 to June 30, 2019	Change
Segment revenue	**98.0**	**140.9**	**–30.5%**
Segment earnings	**8.8**	**–2.6**	**n/a**

The decline in revenue in the Film segment reflects the fact that there was no theatrical distribution revenue in particular on account of the coronavirus pandemic.

Other segment income, which is largely influenced by capitalized film production costs, was also down by CHF 10.3 million year-on-year at CHF 42.3 million (previous year: CHF 52.4 million). This decline reflects the lower production volume at present compared to the first half of 2019. Segment expenses fell by CHF 64.4 million to CHF 131.5 million (previous year: CHF 195.9 million), more than compensating for the reduction in revenue and other income.

Sports- and Event-Marketing segment

(CHF million)	Jan. 01 to June 30, 2020	Jan. 01 to June 30, 2019	Change
Segment revenue	**31.2**	**32.9**	**–5.1%**
Segment earnings	**14.7**	**16.2**	**–9.3%**

The slight decrease in the external revenue of the Sports- and Event-Marketing segment results from currency effects. At the same time, segment expenses climbed by CHF 0.1 million to CHF 16.9 million, causing segment earnings to decline sharply.

Sports segment

(CHF million)	Jan. 01 to June 30, 2020	Jan. 01 to June 30, 2019	Change
Segment revenue	**43.2**	**56.4**	**–23.5%**
Segment earnings	**-8.6**	**–8.4**	**-2.0%**

Revenue in the Sports segment declined by CHF 13.2 million to CHF 43.2 million. The decline in segment expenses of CHF 15.1 million to CHF 54.5 million slightly offset this development, leaving segment earnings stable year-on-year at CHF -8.6 million.

The costs of holding activities were down as against the first half of 2019 at CHF 3.0 million (CHF 3.6 million).

Net assets situation

(CHF million)	June 30, 2020	Dec. 31, 2019	Change
Total assets	**625.5**	**674.0**	**–7.2 %**
Equity	**196.8**	**197.7**	**-0.5 %**
Equity ratio (in %)	**31.5**	**29.3**	**+2.2 points**
Current financial liabilities	**70.4**	**66.7**	**5.7 %**
Cash and cash equivalents	**33.5**	**53.0**	**–36.7 %**

On the assets side, non-current assets rose by CHF 6.9 million to CHF 464.7 million (December 31, 2019: CHF 457.8 million). The increase is essentially due to higher capitalized in-house productions in film assets.

Current assets were down by CHF 55.4 million year-on-year at CHF 160.7 million as of the end of the first half of 2020 (December 31, 2019: CHF 216.1 million). In particular, this was due to declines in trade and other receivables (down CHF 32.9 million) and cash and cash equivalents (down CHF 19.4 million).

On the equity and liabilities side, non-current liabilities declined by CHF 16.7 million to CHF 175.1 million (December 31, 2019: CHF 191.8 million). At the same time, current liabilities declined by CHF 30.7 million in total to CHF 253.6 million (December 31, 2019: CHF 284.4 million). An increase in financial liabilities of CHF 3.8 million was offset by a reduction in advance payments received of CHF 14.1 million and in trade payables and other liabilities of CHF 16.7 million.

The main reasons for the slight reduction in consolidated equity (including non-controlling interests) are the dividend distributions (CHF -1.2 million), changes in non-controlling interests (CHF -1.2 million) and other items that might be reclassified to profit or loss in subsequent periods of CHF -2.4 million.

Financial situation

Operating activities generated a net cash inflow of CHF 33.7 million in the period from January to June 2020. The increase of CHF 17.9 million as against the same period of the previous year (CHF 15.8 million) is primarily due to changes in net working capital.

Net cash used in investing activities declined by CHF 15.2 million to CHF 32.3 million (previous year: CHF 47.4 million). This was mainly on account of significantly lower spending on film assets (down CHF 17.0 million).

Financing activities resulted in a cash outflow of CHF 19.9 million (previous year: inflow of CHF 27.0 million), essentially due to financial liabilities.

Cash and cash equivalents declined by CHF 19.4 million to CHF 33.6 million in the first half of 2020.

REPORT ON RISKS AND OPPORTUNITIES

COVID-19 has continued to spread around the world in the first half of 2020. Given this development, the Board of Directors is not currently able to issue an updated forecast for fiscal 2020 that takes COVID-19 into account as of this date. In view of the ongoing nature of the situation, the extent of the overall impact on our business in 2020 cannot be reliably quantified at this time. It is uncertain how business will be affected as the year progresses. The outlook for fiscal 2020 as described in this report could change depending on the further developments in connection with the COVID-19 outbreak. The Board of Directors is monitoring the situation and has already taken the appropriate action.

A detailed description of the risk management system and the risk and opportunity profile can be found in the management report in our 2019 annual report.

FORECAST

Industry conditions

Film segment

Due to the unpredictable situation with COVID-19, the statements made in the forecast for the development of the overall movie theater market in our 2019 annual report can neither be confirmed nor rejected.

While the negative trend on the physical home entertainment market will presumably continue, the growth prospects for digital home entertainment are still very positive. Significant growth is expected by 2023, partly as a result of additional SVoD platforms entering the market. A volume of around EUR 1.6 billion is projected for the digital market as a whole, corresponding to an average annual growth rate of 9.3 %. The SVoD segment is set to grow at an annual rate of 11.3 %, outperforming the anticipated growth rate in the TVoD segment (4.8 %).

Sports- and Event-Marketing segment

Due to the fast-moving nature of the COVID-19 situation, the media planning and buying company ZenithOptimedia's forecasts for global advertising expenditure have not been updated since December 2019. Looking back to the last report, ZenithOptimedia forecasted that global advertising expenditure would grow by 4.3 % in 2020 to around USD 666 billion. However, the outbreak of COVID-19 has had, and will continue to have, far reaching consequences on the advertising market. A substantial slowdown in the global economy, with the postponement of some big global events, such as the Summer Olympics and UEFA Euro 2020, will negatively impact advertising spend.

Sports segment

In the latest Magna Ad Spend Forecast, the IPG subsidiary Magna comes to the conclusion that global advertising revenue for analog and digital formats will contract by more than USD 42 billion in 2020 – more than 7 % as against the previous year. A drop in net advertising investment of EUR 20.6 million (10.5 %) is forecast for the German advertising market. The year-on-year development in net advertising investments in the individual media classes is projected as follows: TV down 15 %, print down 19 %, radio down 12 %, digital media down 2 % and out-of-home advertising down 21 %.

The Magna Ad Spend Forecast expects a more positive situation in 2021, with the German advertising market set to recover by as much as 7.8 %. The growth drivers are expected to be digital media and out-of-home advertising. The anticipated effects of major events such as the Olympic Games and the European Soccer Championship could contribute to growth, according to Magna.

For 2020 as a whole, ZAW is provisionally forecasting a year-on-year decline in advertising investment of between 10 % and 20 % – assuming that there is no second wave of COVID-19, that the economic policy measures for which it is lobbying intensively are effective, and that consumer sentiment shakes off the economic woes. ZAW's projections also take into account that the coronavirus crisis affects different advertising classes differently, and that the trends within said classes vary. Furthermore, there are of course advertising classes that have not been negatively impacted by the crisis, or that are already showing the first signs of recovery. One key aspect will be the extent to which the market share of digital platforms is further boosted by the coronavirus crisis.

Key areas

Film segment

According to current planning (not reliable due to COVID-19) for the theatrical production/acquisition of rights business area, the projects "Hui Buh 2" and "Eiffel" are planned to be continued in the second half of 2020.

In theatrical distribution, four film releases are currently planned for the second half of 2020, if the general situation in Germany permits: "Le meilleur reste à venir" (released on July 9, 2020), "After Truth," "Dragon Rider," and "Ostwind 5 – Der große Orkan."

In the third quarter of this year, the free-TV sector of the license trading/TV exploitation business area will mainly benefit from sales from the theatrical movies "Leberkäsjunkie" and "Dieses bescheuerte Herz." In pay-TV exploitation, sales will be generated from titles including "Der Fall Collini" (pay-per-channel, Sky).

In the TV (service) production business area, the Constantin Film subsidiaries are preparing several new projects, including the high-end series "Friedrichstadtpalast" and "Kanzlei Kappelmann" for ZDF, the third season of the series "Die Heiland" for ARD, and further episodes of the hit series "Daheim in den Bergen" and "Kroatien Krimi" (both ARD).

Sports- and Event-marketing segment

In the second half of 2020, the TEAM Group's activities will focus on three topics: preparing and delivering the UEFA Champions League and the UEFA Europa League's "Final 8" tournaments in August, in close cooperation with UEFA and other stakeholders; negotiating and agreeing potential compensation with UEFA Club Competition partners related to the postponement and format change of the competitions resulting from COVID-19, and; restarting and finalising the sales process for the commercial rights to the UEFA Champions League, the UEFA Europa League and the newly established UEFA Europa Conference League for the 2021/22 to 2023/24 seasons over a condensed time period.

Sports segment

The Sports segment will essentially focus on the systematic use, distribution, and capitalization of multimedia content in fiscal 2020 as well. In addition to augmenting the SPORT1 portfolio by acquiring new rights, extending existing partnerships, and developing new content cooperations and business areas, cross-platform exploitation and production of established pillars of programming also remain central. These particularly include the core sports of football, motorsports, ice hockey, basketball, volleyball, darts, tennis, US sports, and e-sports. In view of the continued massive growth in the digital and cross-platform use of media content, the Sports segment will also continue to promote the digital diversification of the SPORT1 brand while at the same time creating new content and marketing environments.

In addition to implementing complex live and non-live productions, PLAZAMEDIA will continue to focus on the development and enhancement of production technologies, content management solutions, and technical content distribution in 2020. The main priorities at the other subsidiaries of Sport1 Medien AG will also be maintaining and expanding existing customer relationships and developing new ones. Here, there will be a particular focus on making the best possible use of synergies in the sports sector, where the subsidiaries cover the entire value chain and accordingly provide integrated services for partners and customers.

With a view to the challenges arising from the COVID-19 pandemic, in the Sports segment the aim is to compensate as much as possible for the loss in sales caused in particular by the decline in advertising revenue with savings, for example with license and manufacturing costs as well as staff costs and rental costs. With regard to sales potential, marketing activities will increasingly involve contacting companies that could benefit from the current situation due to their business model.

Notes and forward-looking statements

For calculation-related reasons, rounding differences of +/- one unit may arise and the percentages shown may not precisely reflect the absolute figures to which they relate.

This document contains forward-looking statements that are based on estimates and expectations of the Group management. Words such as “anticipate”, “intend”, “expect”, “can/could”, “plan”, “intended”, “further improvement”, “target is”, and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not historical facts. These are subject to risks, uncertainty, and factors that are mostly difficult to assess and, in general, beyond the control of the Group management. If one or more of these risks or uncertainties materializes, or if underlying expectations do not occur or assumptions prove to be incorrect, the actual results, performance, or achievements of the Highlight Group may differ significantly from those described explicitly or implicitly in the forward-looking statements. Highlight Communications AG does not intend to update the forward-looking statements contained in this document on an ongoing basis.

Although every effort has been made to ensure that the information and facts provided are correct, and that the opinions and expectations are reasonable, no liability or warranty as to the completeness, correctness, adequacy, or accuracy of any forward-looking statements in this document is assumed.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as of June 30, 2020 – Highlight Communications AG, Pratteln

CONSOLIDATED BALANCE SHEET

as of June 30, 2020 (unaudited) – Highlight Communications AG, Pratteln

ASSETS (TCHF)	June 30, 2020	Dec. 31, 2019
Non-current assets		
In-house productions	172,781	159,617
Third-party productions	13,145	15,056
Film assets	185,926	174,673
Other intangible assets	64,163	58,216
Goodwill	133,436	133,554
Property, plant and equipment	14,321	14,686
Right-of-use assets	40,135	38,236
Advance payments for shares in affiliated companies	–	8,000
Investments in associated companies	53	54
Non-current receivables	13,523	16,021
Other financial assets	894	910
Deferred tax assets	12,296	13,499
	464,747	**457,849**
Current assets		
Inventories	8,080	7,187
Trade accounts receivable and other receivables	103,602	136,488
Contract assets	14,600	18,626
Other financial assets	14	14
Income tax receivables	869	814
Cash and cash equivalents	33,547	52,970
	160,712	**216,099**
Total assets	**625,459**	**673,948**

EQUITY AND LIABILITIES (TCHF)	June 30, 2020	Dec. 31, 2019
Equity		
Subscribed capital	63,000	63,000
Treasury stock	–6,300	–6,300
Capital reserve	–99,685	–98,968
Other reserves	–41,034	–38,753
Profit carryforward	272,441	268,374
Equity attributable to shareholders	188,422	187,353
Non-controlling interests	8,365	10,335
	196,787	**197,688**
Non-current liabilities		
Financial liabilities	102,712	121,059
Lease liabilities	32,261	31,904
Other liabilities	306	311
Pension liabilities	4,967	5,042
Deferred tax liabilities	34,873	33,527
	175,119	**191,843**
Current liabilities		
Financial liabilities	70,443	66,672
Lease liabilities	8,954	8,046
Advance payments received	43,413	57,487
Trade accounts payable and other liabilities	117,716	134,421
Contract liabilities	5,677	7,401
Provisions	2,762	4,572
Income tax liabilities	4,588	5,818
	253,553	**284,417**
Total equity and liabilities	**625,459**	**673,948**

The notes on pages 20 – 27 are an integral part of these consolidated interim financial statements.

CONSOLIDATED INCOME STATEMENT

January 1 to June 30, 2020 (unaudited) – Highlight Communications AG, Pratteln

(TCHF)	Jan. 01 to June 30, 2020	Jan. 01 to June 30, 2019
Revenue	172,005	229,927
Capitalized film production costs and other own work capitalized	38,970	48,884
Other operating income	6,333	8,283
Costs for licenses, commissions and materials	–20,150	–27,183
Costs for purchased services	–66,659	–86,598
Cost of materials and licenses	–86,809	–113,781
Salaries	–63,338	–71,786
Social security, pension costs	–9,051	–9,558
Personnel expenses	–72,389	–81,344
Amortization and impairment on film assets	–13,297	–45,767
Amortization, depreciation and impairment on intangible assets and property, plant and equipment	–5,481	–5,687
Amortization, depreciation and impairment on right-of-use assets	–4,082	–4,102
Amortization, depreciation and impairment	–22,860	–55,556
Other operating expenses	–23,804	–35,114
Impairment/reversals of impairment on financial assets	477	307
Gains/losses from the derecognition of financial assets measured at amortized cost	–10	–3
Profit from operations	11,913	1,603
Earnings from investments in associated companies	–	–
Financial income	1,915	2,349
Financial expenses	–4,926	–4,675
Financial result	–3,011	–2,326
Profit before taxes	8,902	–723
Income taxes	–2,827	–1,760
Deferred taxes	–2,030	684
Taxes	–4,857	–1,076
Consolidated net profit for the period	4,045	–1,799
thereof shareholders' interests	4,234	–506
thereof non-controlling interests	–189	–1,293

Earnings per share (CHF)		
Earnings per share attributable to shareholders (basic)	0.07	–0.01
Earnings per share attributable to shareholders (diluted)	0.07	–0.01
Average number of shares in circulation (basic)	56,700,499	56,742,499
Average number of shares in circulation (diluted)	56,700,499	56,742,499

The notes on pages 20 – 27 are an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS

January 1 to June 30, 2020 (unaudited) – Highlight Communications AG, Pratteln

(TCHF)	Jan. 01 to June 30, 2020	Jan. 01 to June 30, 2019
Consolidated net profit for the period	**4,045**	**–1,799**
Currency translation differences	–2,433	–340
Gains/losses from cash flow hedges	55	–118
Items that may be reclassified to the income statement in future	**–2,378**	**–458**
Actuarial gains/losses of defined benefit pension plans	333	–326
Gains/losses from financial assets at fair value through other comprehensive income	–	–7
Items that will not be reclassified to the income statement in future	**333**	**–333**
Total other comprehensive income/loss, net of tax	**–2,045**	**–791**
Total comprehensive income/loss	**2,000**	**–2,590**
thereof shareholders' interests	2,286	–1,250
thereof non-controlling interests	–286	–1,340

The notes on pages 20 – 27 are an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

January 1 to June 30, 2020 (unaudited) – Highlight Communications AG, Pratteln

	Equity attributable to shareholders							
(TCHF)	Subscribed capital	Treasury stock	Capital reserve	Other reserves	Profit carry-forward	Total	Non-controlling interests	Total equity
Balance as of December 31, 2019	**63,000**	**–6,300**	**–98,968**	**–38,753**	**268,374**	**187,353**	**10,335**	**197,688**
Currency translation differences	–	–	–	–2,336	–	–2,336	–97	–2,433
Gains/losses from cash flow hedges	–	–	–	55	–	55	–	55
Items that may be reclassified to the income statement in future	**–**	**–**	**–**	**–2,281**	**–**	**–2,281**	**–97**	**–2,378**
Actuarial gains/losses of defined benefit pension plans	–	–	–	–	333	333	–	333
Gains/losses from financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	–
Items that will not be reclassified to the income statement in future	**–**	**–**	**–**	**–**	**333**	**333**	**–**	**333**
Total other comprehensive income/loss, net of tax	**–**	**–**	**–**	**–2,281**	**333**	**–1,948**	**–97**	**–2,045**
Consolidated net profit for the period	–	–	–	–	4,234	4,234	–189	4,045
Total comprehensive income/loss	**–**	**–**	**–**	**–2,281**	**4,567**	**2,286**	**–286**	**2,000**
Dividend payments	–	–	–	–	–	–	–1,176	–1,176
Change in the scope of consolidation	–	–	–	–	–	–	–20	–20
Change in non-controlling interests	–	–	–717	–	–	–717	–488	–1,205
Other changes	–	–	–	–	–500	–500	–	–500
Balance as of June 30, 2020	**63,000**	**–6,300**	**–99,685**	**–41,034**	**272,441**	**188,422**	**8,365**	**196,787**
Balance as of January 1, 2019	**63,000**	**–6,258**	**–67,203**	**–34,356**	**244,287**	**199,470**	**26,112**	**225,582**
Currency translation differences	–	–	–	–293	–	–293	–47	–340
Gains/losses from cash flow hedges	–	–	–	–118	–	–118	–	–118
Items that may be reclassified to the income statement in future	**–**	**–**	**–**	**–411**	**–**	**–411**	**–47**	**–458**
Actuarial gains/losses of defined benefit pension plans	–	–	–	–	–326	–326	–	–326
Gains/losses from financial assets at fair value through other comprehensive income	–	–	–	–	–7	–7	–	–7
Items that will not be reclassified to the income statement in future	**–**	**–**	**–**	**–**	**–333**	**–333**	**–**	**–333**
Total other comprehensive income/loss, net of tax	**–**	**–**	**–**	**–411**	**–333**	**–744**	**–47**	**–791**
Consolidated net profit for the period	–	–	–	–	–506	–506	–1,293	–1,799
Total comprehensive income/loss	**–**	**–**	**–**	**–411**	**–839**	**–1,250**	**–1,340**	**–2,590**
Dividend payments	–	–	–	–	–	–	–1,247	–1,247
Change in non-controlling interests	–	–	–471	–	–	–471	–56	–527
Balance as of June 30, 2019	**63,000**	**–6,258**	**–67,674**	**–34,767**	**243,448**	**197,749**	**23,469**	**221,218**

The notes on pages 20 – 27 are an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

January 1 to June 30, 2020 (unaudited) – Highlight Communications AG, Pratteln

(TCHF)	Jan. 01 to June 30, 2020	Jan. 01 to June 30, 2019
Consolidated net profit for the period	4,045	–1,799
Deferred taxes	2,030	–684
Income taxes	2,827	1,760
Financial result (without currency result)	3,139	2,533
Earnings from investments in associated companies	–	–
Amortization, depreciation and impairment on non-current assets	22,860	55,556
Gain (-)/loss (+) from disposal of non-current assets	–57	–4
Other non-cash items	–1,281	–15
Increase (-)/decrease (+) in inventories, trade receivables and other assets not classified as investing or financing activities	38,622	11,334
Decrease (-)/increase (+) in trade payables and other liabilities not classified as investing or financing activities	–32,298	–49,182
Dividends received from associated companies	–	–
Interest paid	–2,381	–800
Interest received	91	24
Income taxes paid	–4,070	–3,188
Income taxes received	195	277
Cash flow from operating activities	**33,722**	**15,812**
Change in cash and cash equivalents due to acquisition/disposal of companies/ shares in companies (net)	–634	–
Payments for intangible assets	–985	–2,189
Payments for film assets	–28,152	–45,121
Payments for property, plant and equipment	–2,231	–2,979
Payments for right-of-use assets	–477	–
Payments for financial assets	–	–941
Proceeds from disposal of intangible assets and film assets	–	1,017
Proceeds from disposal of property, plant and equipment	203	2,782
Cash flow for investing activities	**–32,276**	**–47,431**
Payments for purchase of non-controlling interests	–1,205	–527
Repayment of current financial liabilities	–19,833	–8,422
Repayment of lease liabilities	–4,173	–4,396
Proceeds from receipt of current financial liabilities	6,508	41,558
Dividend payments	–1,176	–1,247
Cash flow for/from financing activities	**–19,879**	**26,966**
Cash flow for the reporting period	**–18,433**	**–4,653**
Cash and cash equivalents at the beginning of the reporting period	52,970	52,530
Effects of currency differences	–990	–404
Cash and cash equivalents at the end of the reporting period	33,547	47,473
Change in cash and cash equivalents	**–18,433**	**–4,653**

The notes on pages 20 – 27 are an integral part of these consolidated interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as of June 30, 2020 (unaudited) – Highlight Communications AG, Pratteln

1. GENERAL INFORMATION ON THE GROUP

The parent company Highlight Communications AG is based at Netzibodenstrasse 23b, Pratteln, Switzerland.

Highlight Communications AG's Board of Directors authorized the publication of these unaudited, condensed consolidated interim financial statements on August 13, 2020.

2. ACCOUNTING POLICIES

The unaudited, condensed consolidated interim financial statements for the period from January 1 to June 30, 2020 have been prepared in accordance with the International Accounting Standard on Interim Financial Reporting (IAS 34).

The condensed consolidated interim financial statements do not include all explanations and disclosures required for the financial statements for the full fiscal year and should be read in conjunction with the consolidated financial statements of the company as of December 31, 2019.

The accounting policies applied in preparing the condensed consolidated interim financial statements are the same as those used to prepare the consolidated financial statements for fiscal 2019 (see 2019 annual report, notes to the consolidated financial statements, note 4).

The condensed consolidated interim financial statements have been prepared in Swiss francs, which is the functional and reporting currency of the Group's parent company. Amounts are reported in thousands of Swiss francs (TCHF) unless stated otherwise.

The Film and Sports segments are subject to seasonal fluctuations. The revenue of the Film segment is dependent on the respective theatrical release dates and the subsequent exploitation chain. The Sports segment generates lower revenue in the summer months due to lower advertising income, which is dependent on broadcasting rights to sporting events. This leads to fluctuations in revenue and segment earnings in the different quarters of the fiscal year.

In preparing the condensed consolidated interim financial statements, management is required to make estimates and assumptions influencing the assets, liabilities, contingent liabilities and contingent assets reported as of the end of the reporting period and the income and assets for the reporting period (see 2019 annual report, notes to the consolidated financial statements, note 5).

3. CHANGES IN ACCOUNTING POLICIES

3.1 Relevant standards and interpretations applied for the first time

COVID-19-Related Rent Concessions (amendment to IFRS 16)

The changes in "COVID-19-Related Rent Concessions (Amendment to IFRS 16)" amend IFRS 16 to:

- provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification;
- require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications;
- require lessees that apply the exemption to disclose that fact; and
- require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures.

The amendment is effective for annual periods beginning on or after June 1, 2020. Earlier application is permitted, including for interim reports. The Highlight Group has applied the amendment early, and recognized TCHF 65 in negative variable leases payments under other operating expenses.

3.2 Relevant standards, revised standards and interpretations published but not yet adopted

The Highlight Group waived the early adoption of the other new or revised standards and interpretations not yet effective for Highlight Communications AG. The Group considers the impact of these new standards and interpretations on current or future reporting periods and foreseeable future transactions to be immaterial.

4. CHANGES IN THE CONSOLIDATED GROUP

By way of agreement dated and effective January 1, 2020, Highlight Communications AG, Pratteln, acquired 100 % of the shares in Highlight Event AG, Emmen, from Highlight Event and Entertainment AG, Pratteln, for a purchase price of TCHF 9,000. As a result of gaining control, this equity investment will be included in consolidation from the acquisition date onwards. An advance payment for the acquisition of this transaction of TCHF 8,000 was made in December 2019.

Highlight Event AG works in event marketing and essentially holds the exclusive rights to market the Eurovision Song Contest and the Vienna Philharmonic. The company is assigned to the Sports- and Event-Marketing segment.

The assets and liabilities identified as of January 1, 2020 break down as follows:

(TCHF)	
Non-current assets	
Other intangible assets	8,292
Property, plant and equipment	5
Deferred tax assets	39
Current assets	
Trade accounts receivable and other receivables	1,662
Income tax receivables	33
Cash and cash equivalents	366
Non-current liabilities	
Pension liabilities	391
Deferred tax liabilities	829
Current liabilities	
Trade accounts payable and other liabilities	177
Identified assets and liabilities (net)	**9,000**

Cost	**9,000**
Purchased cash funds (cash inflow)	366
Total cash outflow	**8,634**

The other intangible assets are the exclusive rights to market the Eurovision Song Contest and the Vienna Philharmonic. The long-term cooperation means that there are good prospects of it being continued. For these reasons, the acquired other intangible assets have an indefinite useful life. Therefore they are not amortized, and instead tested for impairment at least once a year.

Revenue of TCHF 1,310 and earnings after taxes of TCHF 169 were included in the consolidated interim financial statements of the Highlight Group as a result of the first-time consolidation of the company as of January 1, 2020.

The consolidated company Constantin Entertainment Israel Ltd., Tel Aviv, was liquidated on June 25, 2020.

In the first half of 2020, Highlight Communications AG increased its shareholding in Sport1 Medien AG, which was already included in consolidation, from 94.18 % to 94.71 %. This is a transaction between equity providers that changed equity by TCHF 1,205.

5. NOTES ON SELECTED ITEMS OF THE STATEMENT OF FINANCIAL POSITION AND THE INCOME STATEMENT

5.1 Film assets

Film assets increased by TCHF 11,253 as against December 31, 2019 as of June 30, 2020. Third-party productions declined by TCHF 1,911, while in-house productions increased by a total of TCHF 13,164. This increase was essentially due to lower amortization and impairment on film assets than investment.

5.2 Contract assets

The carrying amount of contract assets declined from TCHF 18,626 to TCHF 14,600.

5.3 Cash and cash equivalents

Cash and cash equivalents declined from TCHF 52,970 to TCHF 33,547 as of June 30, 2020. Financing activities resulted in a cash outflow of TCHF 19,879, primarily as a result of the repayment of current financial liabilities. The Group's investing activities used cash of TCHF 32,276, which was essentially due to payments for film assets. Operating activities generated a positive cash flow of TCHF 33,722.

5.4 Equity

The number of directly and indirectly held non-voting treasury shares in Highlight Communications AG was 6,299,501 as of June 30, 2020 (December 31, 2019: 6,299,501).

The increase in the equity investment in Sport1 Medien AG from 94.18 % to 94.71 % shown in equity led to a reduction in capital reserves of TCHF 717 and a reduction in non-controlling interests of TCHF 488.

The remeasurement of pension obligations led to an increase in retained earnings of TCHF 333 on account of the rise in the discount rate in particular.

Other reserves totaled TCHF -41,034 as of the end of the reporting period (December 31, 2019: TCHF -38,753). As of June 30, 2020, these relate to the translation of the equity of companies that do not use Swiss francs as their functional currency (TCHF -40,699; December 31, 2019: TCHF -38,363) and to other cash flow hedge reserves of TCHF -335 (December 31, 2019: TCHF -390).

5.5 Lease liabilities

PLAZAMEDIA GmbH entered into several new lease agreements to expand its broadcasting center in the first half of 2020. The monthly lease payments amount to TEUR 40 in total. The lease term is 44/45 months. In this context, Sport1 Medien AG assumed a directly enforceable guarantee for all liabilities of PLAZAMEDIA GmbH arising from these agreements. The guarantees are perpetual and capped at TEUR 2,357. Both leases contain purchase options (TEUR 86 in total) to buy back assets after the end of the lease. It is reasonably certain that the options will be exercised.

Furthermore, PLAZAMEDIA GmbH entered into a lease agreement for servers and similar equipment. The monthly lease payments amount to TEUR 19 in total. The lease term is 36 months. A payment of TEUR 450 was made before the commencement date. This payment was classified as cash flow from investing activities as it is a payment to acquire a right-of-use asset. This lease contains a purchase option (TEUR 180) to buy back assets after the end of the lease. It is reasonably certain that the option will be exercised.

5.6 Contract liabilities

The carrying amount of contract liabilities declined from TCHF 7,401 to TCHF 5,677.

5.7 Amortization, depreciation and impairment

(TCHF)	Jan. 01 to June 30, 2020	Jan. 01 to June 30, 2019
Amortization of film assets	12,404	43,740
Amortization of intangible assets	3,226	3,163
Depreciation of property, plant and equipment	2,255	2,524
Amortization/depreciation of right-of-use assets	4,082	4,102
Amortization/depreciation	**21,967**	**53,529**
Impairment of film assets	893	2,027
Impairment	**893**	**2,027**

5.8 Operating expenses

The Group recognized TCHF 971 of the reimbursement of employer's share of social security contributions in relation to short-time allowances as deductions from staff costs.

5.9 Net financial result

Financial income

(TCHF)	Jan. 01 to June 30, 2020	Jan. 01 to June 30, 2019
Interest and similar income	95	28
Gains from changes in the fair value of financial instruments	390	1,088
Currency exchange gains	1,430	1,233
Total	**1,915**	**2,349**

Financial expenses

(TCHF)	Jan. 01 to June 30, 2020	Jan. 01 to June 30, 2019
Interest and similar expenses	3,156	2,443
Losses from changes in the fair value of financial instruments	90	805
Currency exchange losses	1,302	1,026
Interest expenses from lease liabilities	378	401
Total	**4,926**	**4,675**

6. DISCLOSURES ON FINANCIAL RISK MANAGEMENT

6.1 Fair value of financial assets and liabilities

The table below shows the allocation of financial assets and liabilities measured at fair value to the three levels of the fair value hierarchy:

Fair value hierarchy

Jun. 30, 2020 (TCHF)		**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value					
Derivative financial instruments	FVTPL/without category	–	494	–	494
Financial assets at fair value through profit or loss	FVTPL	–	–	28	28
Financial assets (equity instruments)	FVTOCI	–	–	880	880
Financial liabilities measured at fair value					
Financial liabilities with hedging relationships	AC	–	478	–	478
Derivative financial instruments	FLTPL	–	484	–	484
Financial liabilities	FLTPL	–	–	227	227

Dec. 31, 2019 (TCHF)		**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value					
Derivative financial instruments	FVTPL/without category	–	287	–	287
Financial assets at fair value through profit or loss	FVTPL	–	–	28	28
Financial assets (equity instruments)	FVTOCI	–	–	896	896
Financial liabilities measured at fair value					
Financial liabilities with hedging relationships	AC	–	556	–	556
Derivative financial instruments	FLTPL	–	855	–	855
Financial liabilities	FLTPL	–	–	231	231

AC: Financial assets at amortized cost
FVTOCI: Financial assets at fair value through OCI
FVTPL: Financial assets at fair value through profit or loss
FLTPL: Financial liabilities at fair value through profit or loss

Disclosures on level 3 financial instruments

	Investment in Geenee Inc.	AGF Video-forschung GmbH	Summacum GmbH	Other investments	Convertible loans	Financial liabilities
Fair value on December 31, 2018	**–**	**–**	**–**	**9**	**–**	**74**
Gains/(losses) through profit or loss	–	–	–	–	–	164
Gains/(losses) through equity	–	–14	–7	–	–	–7
Purchase	–	518	336	54	28	–
Fair value on December 31, 2019	**–**	**504**	**329**	**63**	**28**	**231**
Gains/(losses) through equity	–	–10	–6	–	–	–4
Fair value on June 30, 2020	**–**	**494**	**323**	**63**	**28**	**227**

The financial assets measured at fair value and included in level 1 are measured using market prices.

The derivative financial instruments in level 2 are measured at current market rates. A discounted cash flow method was used to determine the fair value of level 2 derivative financial instruments.

The shares in Geenee Inc. assigned to level 3 of the fair value hierarchy had already been written down in full in previous years. There were no indications of a reversal of impairment in the reporting period. The fair values of the equity investments acquired in the previous year are their respective purchase prices (adjusted for currency effects). For reasons of materiality, other equity instruments totaling TCHF 9 (December 31, 2019: TCHF 9) are recognized at historical cost. There was an earn-out liability of TCHF 227 (December 31, 2019: TCHF 231) recognized as a level 3 financial instrument as of the end of the reporting period. The measurement of the earn-out liability is based on the actual EBIT of Hager Moss Film GmbH in fiscal 2020.

There were no reclassifications between the individual levels of the fair value hierarchy. They are reclassified quarterly in each reporting period if circumstances requiring a different classification arise.

6.2 Financial assets and liabilities at amortized cost

Given the short remaining term, the carrying amounts of current financial receivables and liabilities as of the end of the reporting period are approximately the fair value. Non-current receivables are discounted according to their remaining term. Their carrying amounts are therefore also approximately their fair value.

6.3 Fair value of non-financial assets and liabilities

As of June 30, 2020 and December 31, 2019, there were no non-financial assets or liabilities measured at fair value.

7. SEGMENT REPORTING

Segment information Jan. 1 to Jun. 30, 2020

(TCHF)	Film	Sports- and Event-Marketing	Sports	Other	Recon-ciliation	Group
External sales	97,987	31,198	42,820	–	–	172,005
Intragroup sales	–	–	359	–	–359	–
Total sales	97,987	31,198	43,179	–	–359	172,005
Other segment income	42,296	384	2,786	–	–163	45,303
Segment expenses	–131,483	–16,919	–54,527	–2,988	522	–205,395
thereof amortization, depreciation	*–14,628*	*–839*	*–6,500*	*–*	*–*	*–21,967*
thereof impairment	*–893*	*–*	*–*	*–*	*–*	*–893*
Segment earnings	**8,800**	**14,663**	**–8,562**	**–2,988**	**–**	**11,913**
Time reference of sales						
Over time	44,135	–	20,924	–	–	65,059
Point in time	53,852	31,198	21,896	–	–	106,946
	97,987	**31,198**	**42,820**	**–**	**–**	**172,005**
Sales by product						
Film	53,852	–	–	–	–	53,852
Production services	44,135	–	–	–	–	44,135
Sports- and Event-Marketing	–	31,198	–	–	–	31,198
Platform	–	–	33,992	–	–	33,992
Services	–	–	8,828	–	–	8,828
	97,987	**31,198**	**42,820**	**–**	**–**	**172,005**

Segment information Jan. 1 to Jun. 30, 2019

(TCHF)	Film	Sports- and Event-Marketing	Sports	Other	Recon-ciliation	Group
External sales	140,852	32,876	56,440	–	–	230,168
Intragroup sales	56	–	–	–	–297	–241
Total sales	140,908	32,876	56,440	–	–297	229,927
Other segment income	52,414	67	4,811	–	–125	57,167
Segment expenses	–195,869	–16,782	–69,648	–3,614	422	–285,491
thereof amortization, depreciation	*–45,804*	*–641*	*–7,084*	*–*	*–*	*–53,529*
thereof impairment	*–2,027*	*–*	*–*	*–*	*–*	*–2,027*
Segment earnings	**–2,547**	**16,161**	**–8,397**	**–3,614**	**–**	**1,603**
Time reference of sales						
Over time	66,099	–	24,430	–	–	90,529
Point in time	74,753	32,876	32,010	–	–	139,639
	140,852	**32,876**	**56,440**	**–**	**–**	**230,168**
Sales by product						
Film	74,753	–	–	–	–	74,753
Production services	66,099	–	–	–	–	66,099
Sports- and Event-Marketing	–	32,876	–	–	–	32,876
Platform	–	–	45,620	–	–	45,620
Services	–	–	10,820	–	–	10,820
	140,852	**32,876**	**56,440**	**–**	**–**	**230,168**

The elimination of inter-segment transactions is reported in the reconciliation column.

8. FINANCIAL COMMITMENTS, CONTINGENT LIABILITIES AND OTHER UNRECOGNIZED FINANCIAL OBLIGATIONS

Compared to the consolidated financial statements as of December 31, 2019, financial commitments, contingent liabilities and other unrecognized financial obligations increased by TCHF 109,500 to TCHF 258,306 as of June 30, 2020.

9. RELATED PARTY DISCLOSURES

As part of its normal business activities, the company maintains relations with associated companies, the major shareholder and its subsidiaries in addition to companies controlled by members of the Board of Directors.

Related party disclosures

(TCHF)	June 30, 2020	Dec. 31, 2019
Receivables	–	–
Liabilities	55	57

(TCHF)	Jan. 01 to June 30, 2020	Jan. 01 to June 30, 2019
Sales and other income	–	–
Cost of materials and licenses and other expenses	36	26

Parent company and its direct subsidiaries

(TCHF)	June 30, 2020	Dec. 31, 2019
Receivables	3,128	14,857
Liabilities	–	936

(TCHF)	Jan. 01 to June 30, 2020	Jan. 01 to June 30, 2019
Sales and other income	38	24
Cost of materials and licenses and other expenses	–	–

As in the previous year, there were no transactions with associated companies or joint ventures in the reporting year.

There were liabilities to various members of the Board of Directors and Managing Directors of TCHF 55 as of June 30, 2020 (December 31, 2019: TCHF 57).

Related parties include the members of the Board of Directors, the members of Group management and their relatives.

Highlight Communications AG did not perform significant services for companies controlled by related parties in the reporting period or in the same period of the previous year.

10. EVENTS AFTER THE END OF THE REPORTING PERIOD

The new coronavirus strain has continued to spread around the world in the first half of 2020. The Board of Directors is continuing to monitor the situation and has taken the appropriate action. The Board of Directors assumes that the spread of the coronavirus will have repercussions for the Highlight Group.

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